





1975

In establishing the Iowa Housing Finance Authority (IHFA), I had a rare, challenging and rewarding experience spanning 11 years. Former Governor Robert Ray named me Executive Director in his office one cold, snowy day in December 1975. IHFA was the result of new legislation the Iowa General Assembly passed with broad bipartisan support. Armed with the 57-page law and a \$100,000 appropriation, IHFA began its life in a cramped office in downtown Des Moines.

IHFA was latent for awhile, focusing on organization-building and successfully completing test litigation to establish that its bonds could be issued without violating the state constitution. In early 1977, IHFA issued the first in a series of bond issues to fund single-family and multifamily developments across the state. Between 1977 and 1986, the year of my departure, IHFA issued more than \$750 million in bonds to support housing, small business and agricultural projects. IHFA, eventually renamed the lowa



Finance Authority (IFA), was one of the first state finance agencies in the country to diversify beyond housing. Despite early criticism from peer finance agencies, IFA went forward and pioneered a comprehensive financing tool for a growing list of activities. Ultimately, many other states followed suit.

Nationally, Congress acted in 1982 to rein in state finance agencies, placing limits on earnings from reinvested bond proceeds and imposing annual caps on bonding authority. Fortunately, by then IFA had created a solid financial base, enabling the organization to take the new regulations in stride.

The bottom line, the challenge of each day, was to successfully allocate scarce resources among fiercely competing interests in a political environment. The goal was always to do this in a way that honored the public trust, was ethical and legal and made financial sense.

I would not trade my 11 years at IFA for anything. It was the defining period of my career, and I consider IFA my legacy. I am proud of what IFA has achieved and watch with pleasure as the organization goes forth. I wish IFA the best in the always-uncertain future.

Sincerely,

William H. McNarney Executive Director

William H. Mc Marney

1975-1986

IOUA PHORE AUGHOPICS IS75 House File 823 is signed into law on June 13, 1975, creating the lowa Housing Finance Authority - Bill McNarney is named Acting Staff IHFA makes its first bond issue, creating a program to assist first-time homebuyers

IHFA makes its first bond issue, creating a program to assist first-time homebuyers

IHFA issues its first multifamily bonds

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IHFA staff increases to eight

1982 Economic Development Loan Program is introduced

Terry E. Branstad is elected Governor

1977

1980

1986

1986

1987

1987

1987

1989

1989

1991

lowa Legislature creates Title Guaranty Division

IHFA changes its name to the Iowa Finance Authority (IFA)

IFA employs 14 people

IFA undertakes new programs to assist statewide economic development

Business Guaranty Fund and a School Finance Program

Larry Tuel becomes IFA's Executive Director

IFA issues the first Low-Income Housing Tax Credits

Title Guaranty issues its first Lender's Certificate

efforts, including the Economic Development Bond Bank, Targeted Small

State Revolving Loan Fund (SRF) for Drinking Water is introduced -

lowa is the first state to issue SRF bonds
20 people work at IFA

Ted Chapler becomes IFA's Executive Director

993	Because of the flood of '93, IFA's Disaster Recovery Plan was tested and implemented. Ironically, the plan was developed a few months prior to the flood
994	IFA increases to 25 staff members
995	IFA provides homeownership assistance for its 30,000th lowa family
996	State Revolving Loan Fund for Clean Water is introduced
998	Thomas J. Vilsack is elected Governor
999	Darlene Jeris becomes IFA's Executive Director
2000	Michael Tramontina becomes IFA's Executive Director
2000	The First-Time Home Buyer Program is renamed FirstHome
2000	IFA becomes Section 8 Contract Administrator in cooperation with the U.S. Department of Housing and Urban Development
2002	In cooperation with the Iowa Department of Economic Development, IFA launches the Main Street Revitalization Loan Program
2002	Iowa Legislature creates the State Housing Trust Fund
2003	Governor Vilsack creates the Iowa Council on Homelessness
2004	IFA initiates the Senior Living Revolving Loan Fund
2004	IFA initiates the Home and Community-Based Services Revolving Loan Fund
2004	IFA takes over administration of the Home and Community-Based Rent Subsidy Program
2004	IFA unveils the Aftercare Rent Subsidy Program
2004	IFA receives its first Issuer Credit Rating (AA-) from Standard & Poor's
2005	Bret Mills becomes IFA's Executive Director

THE EARLY DAYS

THE "TEST CASE"

Early on, the lowa Housing Finance Authority (IHFA) faced a legal challenge of the legislation that provided its bonding authority. Because lowa's constitution limits state indebtedness, IHFA was advised to undergo a "test case," litigation to resolve whether IHFA's bonds were debts of the state. IHFA's financing team suggested that prospective bond buyers would require assurance that the bonds were not legal debts of the state, but were "moral obligations." Three local developers sued IHFA for the sole purpose of the "test case." IHFA won the suit in district court and in the state Supreme Court, clearing the way for the issuance of IHFA bonds.

THE "SCAKEOUC"

In 1979, IHFA issued \$150 million in bonds to support the single-family homeownership program. Publicity for this issue, coupled with IHFA's growing reputation, triggered long lines of hopeful borrowers across the state. Many people waited in cold weather, some overnight, outside the doors of participating lenders. A Des Moines Register article dated February 26, 1979, included the headline, "Stakeout for 8 Percent Loans." According to the article, "About 40 Des Moines residents played poker in the cold, stamped their feet and shivered in sleeping bags Sunday night – just for the chance to hit inflation right between the eyes. The group huddled in front of the United Federal Savings Loan office at Fourth and Locust Street after being informed by their real estate agents that UFS would have state-supported 8 percent home mortgage loans available on a first-come, first-served basis....The scene at UFS is being repeated across the state. Lending institutions in all but 19 counties are participating in the new state program."

WORKING LIKE A DOG

Once IHFA's single-family homeownership program had established its success, IHFA dedicated \$5 million in bond proceeds to create an "Urban Revitalization" initiative that allowed communities to renovate older neighborhoods. The program aided the construction of several new homes in eastern Des Moines. Then-IHFA Executive Director Bill McNarney and then-board chairman Lloyd Clarke treated U.S. Senator Charles Grassley to a tour of the area. During the tour, a pack of stray dogs sent the three men scrambling back to the car. According to McNarney, "No further requests were received from the Senator."

ihea and iea

By the time the IHFA celebrated its 10th year, the organization had grown to 14 employees who managed seven programs that assisted a range of audiences including homeowners, farmers and commercial developers. The organization's board of directors recognized this diversity and in 1985 changed the name to the lowa Finance Authority.

IOWA FINANCE AUTHORITY 2005 Annual Report



2005

The board and staff of the Iowa Finance Authority (IFA) is pleased and proud to present the fiscal year 2005 Annual Report, dedicated to our 30 years of providing Iowans with funds for affordable housing and, since the late 1980s, providing communities with funds for water infrastructure projects.

What started in 1975 as a small three-person shop has grown into a self-funding entity with more than 80 employees who deliver programs and initiatives important to the daily lives and well-being of lowans.

As an instrumentality of the state with separate and distinct powers, IFA manages \$1.5 billion in assets related to homeownership, affordable rental housing and water-quality infrastructure.



IFA attained an important milestone in September 2004 when Standard and Poor's Rating Services (S&P) assigned the organization an Issuer Credit Rating of AA-. According to S&P, "this high rating reflects IFA's sound fiscal operations, stable management, and a high-quality/low-risk composition of assets." IFA is the smallest housing finance agency in the nation to earn such a high rating, as only eight other state housing finance agencies are rated higher.

Thanks to the commitment and efforts of current and former employees and board members, IFA is well-positioned to maintain and strengthen its efforts on behalf of lowa communities and citizens. We invite you to take this opportunity to learn about IFA's mission, accomplishments and a history 30 years in the making. It's a good read.

Sincerely,

Bret L. Mills Executive Director

FirstHome & FirstHome Plus

IFA's oldest program, created in 1977, FirstHome provides affordable mortgage financing to qualified homebuyers. IFA issues tax-exempt mortgage revenue bonds to fund the program, and mortgage loans are provided to borrowers through about 400 participating lenders across the state. In FYO5, IFA purchased 2,202 FirstHome loans totaling more than \$167.7 million.

In April 2005, IFA revamped its *FirstHome Plus* Program to provide cash assistance of up to 3 percent of the mortgage amount for down payment and closing costs. In FYO5, IFA provided *FirstHome Plus* assistance totaling more than \$3 million to 1,686 homebuyers.



How it's made a difference...

Teresa Randall was a longtime renter in Sioux City, lowa, where she earns a modest wage as a Senior Customer Service Representative. As a single mother, Teresa was able to support herself and her son, but she never thought she could afford her own home. Recently, she visited the staff at First Federal Bank to inquire about loan programs that could help her buy a home, although she had not saved any money for a down payment. Luckily, several organizations, including the lowa Finance Authority, offered a variety of first-time

homeownership programs designed specifically for people like Teresa. Using IFA's FirstHome Program, a MyCommunity Conventional Loan from Fannie Mae and a \$5,000 grant from the city of Sioux City, Teresa and her son moved into their new home in May 2005. Much to Teresa's surprise, her mortgage payment and former monthly rent are nearly the same.

Guard and Reserve Homebuyer Benefit Program

Administered by IFA and the lowa National Guard, *The Guard & Reserve Homebuyer Benefit Program* provided dollar-for-dollar matching grants up to \$5,000 toward the purchase of a home. Launched in March 2005 with a \$1.05 million state allocation, *The Guard & Reserve Homebuyer Benefit Program* was available to military personnel who served or serve on active duty between September 11, 2001, and June 30, 2006. Members of the National Guard, Reserve or Active Duty Components of the armed forces were eligible for the funds. In little more than eight months, the program had allocated its final dollars, helping 237 service members buy homes in 108 lowa communities. lowa is the only state that has offered this type of program for its military personnel.

After a year-long deployment to Kuwait, Iowa National Guard Staff Sgt. Lyndsay Thrane was eager to come back to Iowa and her 10-year-old son so the two could begin the process of buying a new home. Shortly after her return, Thrane, 34, learned through an email about *The Guard & Reserve Homebuyer Benefit Program* that could help her on her way to homeownership. Six months later, Thrane and her son left their Johnston, Iowa, rental unit and moved into a modest three-bedroom home in Urbandale.

Thanks to *The Guard & Reserve Homebuyer Benefit Program*, Thrane was able to take advantage of a \$5,000 grant to purchase a newer, better house than she was expecting. Now, she and her son enjoy adding the personal touches to make their house a home.



State Housing Trust Fund

The lowa Legislature created the State Housing Trust Fund (SHTF) in 2002 to help ensure decent, safe, affordable housing for lowans through two important programs. The Local Housing Trust Fund Program receives 60 percent of SHTF allocation to provide grants for communities, counties and organizations that wish to create a local housing trust fund. The remaining 40 percent goes to the Project-Based Program that aids the development and rehabilitation of single-family and multifamily housing. IFA administers both programs and provides technical assistance to housing-related organizations.

FY05 Local Housing Trust Fund Grant Recipients

Dallas County Local Housing Trust Fund	\$100,000
Polk County Housing Trust Fund	\$163,336
Scott County Housing Council	\$163,335
Housing Trust Fund of Johnson County	\$163,335
Dubuque Housing Trust Fund	\$163,335
Floyd County Housing Trust Fund	\$81,662
Oskaloosa Housing Trust Fund	\$81,662
Iowa Northland Regional Housing Council	\$163,335

FY05 Project-Based Program Grant Recipients

Municipal Housing Agency of Fort Dodge	\$90,000
MidAmerica Housing Partnership (Dubuque)	\$80,000
MidAmerica Housing Partnership (Cedar Rapids)	\$90,000
City of Mount Pleasant	\$90,000
City of Keokuk	\$90,000
Northeast Iowa Community Action Corporation	\$40,000
Habitat for Humanity of Iowa	\$87,500

In 2004, the lowa Northland Regional Council of Governments (INRCOG) received a \$125,000 grant from the State Housing Trust Fund (SHTF) to assist the rehabilitation and construction of several homes in the area. In a unique partnership, INRCOG and the city of Hazelton worked together to remove an unsafe, dilapidated home from the community while providing safe, affordable housing to a terminally ill single mother and her two young-adult children, one of whom suffers from autism. Using part of their SHTF award, INRCOG provided a \$9,500 grant and a \$3,500 loan to the city of



Hazelton to demolish the house. The homeowner then bought the lot back from the city for \$3,500, enabling the city to pay off the loan. The homeowner had a new ranch-style home constructed on the property in early 2005.

Unfortunately, the woman died in July 2005, but the agreement between the city and INRCOG provided dual ownership to the woman's oldest child. He and his sibling are able to remain in the home, even after their mother's death.



Low-Income Housing Tax Credits

Administered by IFA, the Low-Income Housing Tax Credit Program allocates federal tax credits to developers of affordable housing. These credits provide a dollar-for-dollar reduction to an investor's federal tax liability on ordinary income. The credits are awarded annually on a competitive basis. Tax credit interest is sold to investors to generate equity for the housing developments. The Internal Revenue Service annually allocates tax credits to states based on their populations. Since the program began in 1987, tax credits have aided the construction or rehabilitation of nearly 17,000 affordable housing units throughout lowa.

In FY05, more than \$4.75 million in Low-Income Housing Tax Credits will result in the production of 642 units, including 87 for people with disabilities and 132 for older lowans. Twenty new developments will occur in these communities: Asbury, Clear Lake, Clinton, Council Bluffs, Davenport, Des Moines, Dubuque, Fairfield, Iowa City, Maquoketa, Muscatine, Pleasant Hill, Sioux City, Spirit Lake, Storm Lake, Waukee.

How it's made a difference...

IFA sets aside 10 percent of the federal Low-Income Housing Tax Credit allocation to support the construction of affordable assisted living (AAL) projects around Iowa. Since 2001 when this set-aside was established, eight new AAL projects have opened, including the Prime Living Apartments in LeMars. Here, 79-year-old Jeri Ann Grant found a desirable alternative to a nursing home.

In 2004, Jeri Ann and her son drove by Prime Living and discussed whether it might be a better lifestyle option for her. Jeri Ann found

the tan-colored nursing home she had been living in depressing, and after a visit to Prime Living, she was impressed with its bright colors and vibrant environment. Jeri Ann was also excited about the opportunity to come and go at her leisure and enjoy a sense of control, independence and privacy. Immediately after moving in at Prime Living in late 2004, Jeri Ann established a home there. Along with her new friends and friendly staff members, she takes advantage of every opportunity to socialize. She keeps busy playing bingo and the *Wheel of Fortune Game* and is a member of the walking club.



Multifamily Housing Loan Program

The Multifamily Housing Loan Program seeks to preserve the existing supply of affordable rental units at risk of being lost and to foster the production of new affordable rental units in lowa.

Loans Closed in FY05

•	New Directions Shelter, Des Moines	\$215,000
	(Homeless Shelter for women with children)	

Madison Heights, Knoxville \$275,000
 (Family rental)

Senior Living Revolving Loan Fund

The Senior Living Revolving Loan Fund provides first mortgage financing to recipients of Low-Income Housing Tax Credits for the construction of affordable assisted-living facilities and service-enriched housing for low-income people with disabilities.

Loans Approved in FYO5

•	Maquoketa Housing, Maquoketa	\$400,000
	(Creation of service-enriched housing for seniors with disabilities)	
•	Welch Apartments, Muscatine	\$500,000
	(Creation of service-enriched housing for seniors with disabilities)	
•	Sioux City Affordable Assisted Living, Sioux City	\$1,671,235
	(Construction of an affordable assisted living facility)	

Home and Community-Based Rent Subsidy Program

Since 1996, the Home and Community-Based Rent Subsidy Program has provided temporary rental assistance for people who receive medically-necessary services through Medicaid waivers until the person becomes eligible for a Housing Choice voucher from the U.S. Department of Housing and Urban Development or any other kind of private or public rent subsidy.

In 2005, IFA took over the administration of the program through a 28E agreement with the Iowa Department of Human Services. This program provided \$686,787 in rent subsidy to 446 people during FYO5.

Aftercare Rent Subsidy Program

The Aftercare Rent Subsidy Program provides financial assistance for youth who are aging out of foster care and are participants in the Aftercare Services Program. The program's goal is to teach lowa youth independence, life skills and renter rights and responsibilities. In 2004, IFA began administering this program through a 28E agreement with the lowa Department of Human Services.

Home and Community-Based Services Revolving Loan Fund

During FYO5, IFA made its first awards from the Home and Community-Based Services Revolving Loan Fund that was created in 2004. The loans are meant to develop and expand facilities and infrastructure that provide adult day services, respite services and congregate meal sites for low-income lowans.

Loans Approved in FY05

Milestones In Marion, Marion
 (Creation of an adult day care center)

\$800,000

 Adel Assisted Living, Adel (Creation of a congregate meal site) \$600,000

Main Street Mortgage Loan Program

IFA's Main Street Mortgage Loan Program provides low-interest loans to lowa Main Street Communities for downtown infill and upper-story rehabilitation, in cooperation with the lowa Department of Economic Development. In FYO5, IFA loaned \$79,420 for rehabilitation projects in Spencer and Elkader.

In 1998, Lee Perkinson, a successful businessman and loving husband, was diagnosed with Alzheimer's disease, a progressive, debilitating disease that affects memory and communication. As the disease progressed, Lee eventually needed professional care. While many Alzheimer's victims are placed in institutions, Lee's wife, Barb, was determined to keep him at home for as long as possible. Fortunately, Milestones In Marion, an Adult Day Health Center in Marion, lowa, provided the care and support that allowed Lee to live at home,

where he *most* wanted to be. Milestones was the first recipient of financial assistance from IFA's Home and Community-Based Services Revolving Loan Fund. Lee attended Milestones five days a week, eight hours a day. Here, staff provided physical and emotional care for Lee, offering a respite for his wife. This combination allowed Lee to remain in his own home until the disease eventually took his life. Thanks to Milestones In Marion, Lee lived his final years just as he wished.

Single-Family Construction Loan Program

The Single-Family Construction Loan Program provides low-interest loans for new construction or acquisition/rehabilitation of affordable, owner-occupied, single-family homes. It also provides incentives for sale to low-income households and targets hard-to-develop rural communities and the inner city. In FYO5, IFA advanced \$852,657 to construct 14 homes in five communities.

Loan Recipient	City	Number of Homes	Amount Advanced
Midwest Henry	Osceola	7	4017.047
Midwest Homes, Inc.	00000.0	3	\$213,863
Oskaloosa Housing Trust Fund	Oskaloosa	a 2	\$38,489
Iowa Tax Credit Fund III, LP	Maquoket	:a 4	\$183,196
Brantley Built Homes, Inc.	Des Moine	es 3	\$217,109
Don Winchhart	Creston	2	\$200,000

Other Housing Assistance Programs

In FYo5, IFA provided financing for a variety of local housing development activities:

- \$300,000 in loans to 12 Habitat for Humanity of Iowa affiliates
- \$2,000 grant for Habitat for Humanity of Iowa to hire an intern
- \$50,000 in capacity building grants to the Tri-County Housing Trust Fund in Stratford and the Dallas County Board of Supervisors
- \$25,000 to support the mission of the Iowa Home Ownership Education Project

Section 8 Contract Administration

IFA holds a performance-based contract with the U.S. Department of Housing and Urban Development to provide oversight of select Section 8 properties in Iowa. The contract, in place since 2000, covers 239 properties including 12,058 units in 75 counties. In FY05, IFA earned \$1.5 million in administrative fees and \$770,474 in incentive fees from HUD for Section 8 administration.

Iowa Council on Homelessness

Governor Vilsack created the Iowa Council on Homelessness in 2003, naming IFA as the lead agency for coordinating the Council's activities. In FY05, the 30-member group took on two major projects. First, it participated in a national Point-In-Time Homeless Count on January 25, 2005. Taking part in this important study meant the Council was able to apply for nearly \$5 million in funds on behalf of local homeless service providers from the U.S. Department of Housing and Urban Development. Also in FY05, the Council commissioned the Mt. Vernon, Iowa-based Iowa Policy Project to conduct a "Multi-Staged Enumeration of and Analysis of Iowa's Homeless Population." Supported by various state agencies, this study is a first-time attempt to thoroughly inventory the demographics of Iowa's homeless population.

Economic Development Loan Program

IFA's Economic Development Loan Program furthers the development and expansion of business, nonprofit organizations and housing in lowa. Since 1982, IFA has issued more than \$2 billion in tax-exempt bonds, the proceeds of which are loaned to borrowers to finance qualified projects. In FYO5, IFA provided \$63,660,000 to four projects in various locations around the state.

Loan Recipient	City	Loan Amount
Friendship Haven, Inc.	Fort Dodge	\$21 million
M.H. Eby, Inc.	Story City	\$2.47 million
The Gables at Johnston Commons	Johnston	\$1.705 million
Interstate Power and Light	Various Locations	\$38.385 million

State Revolving Fund

IFA and the Iowa Department of Natural Resources jointly administer the State Revolving Fund for Clean Water, introduced in 1989, and Drinking Water, created in 1996. The fund, capitalized by U.S. Environmental Protection Agency grants, provides low-cost financing for community drinking water and wastewater improvement projects. In FY05, IFA issued 32 new Clean Water loans for \$43,532,000 and 29 new Drinking Water loans for \$33,799,000.



City Carton Recycling (CCR) is lowa's largest full-service paper recycling company. Operating seven recycling facilities and three confidential shredding facilities, CCR employs nearly 150 lowans and is one of the largest recycling companies in the Midwest. Founded 40 years ago, CCR has taken advantage of IFA's Economic Development Loan Program five times since 1989, acquiring loans ranging from \$600,000 to \$2 million. This financing has helped the lowa City-based company improve the environment, enhance the economy and impact the quality of life for thousands of lowans. For example, a 2001 loan allowed CCR to expand its Davenport facility, enabling the company to handle more recyclables and grow

its market share in the Quad Cities. In September 2005, a \$2 million loan helped CCR purchase new recycling sorting machinery for its Cedar Rapids customers. The updated technology means Cedar Rapids residents no longer need to separate their recyclables before placing them at the curb for pickup.





Title Guaranty Division

A Division of IFA, Title Guaranty is the state's low-cost mechanism for guaranteeing title to real property. In FYO5, Title Guaranty enjoyed another successful year, as it transferred \$2.8 million in surplus revenues to IFA in support of affordable home ownership programs, primarily the FirstHome and FirstHome Plus Programs. Title Guaranty also issued 43,120 certificates, covering nearly \$5 billion worth of lowa real estate.

How it's made a difference...

Since 1987, Title Guaranty (TGD) has protected the interests of thousands of lenders and homeowners in Iowa. In 2000, one particular case illustrated the benefits of a TGD Owner's Certificate.

In September 1996, Joe Smith* sold his Clear Lake home to John Jones.* Later, when Jones refinanced, his attorney found a defect in the title. Jones consequently sued Smith, who had since moved to Colorado, and the attorney who provided the original opinion to the title. Because Smith purchased an Owner's Certificate when he acquired his home, TGD staff stepped in to represent him at no charge. TGD employees who researched the situation eventually learned that the title to the property was in fact marketable but that Smith did not provide a complete abstract when he sold his home to Jones. The deficient abstract was the root of the problem, and Jones agreed to dismiss his case if Smith would pay \$100 for the costs Jones incurred in the lawsuit. Had Smith not purchased a TGD Owner's Certificate, he would have needed to hire his own private legal counsel, travel to lowa to attend numerous meetings and likely pay thousands of dollars to settle the claim.

*Names have been changed.

IOWA FINANCE AUTHORITY BOARD OF DIRECTORS

Vincent Lintz (Chair)	Windsor Heights	
Steve Adams	Red Oak	
Kay Anderson	LeMars	
Virginia Bordwell	Washington	
Carmela Brown	Urbandale	
Roger Caudron	Sioux City	
Heather Kramer	Marion	
Douglas Walter	Bettendorf	
Richard Wright	Des Moines	

OUR MISSION

The mission of the Iowa Finance Authority is to finance, administer, advance and preserve affordable housing and to promote community and economic development for Iowans.



